

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 DOEE-00 /136 W
-----090502 231805Z /50

P 231743Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0017
INFO AMEMBASSY BRUSSELS
AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO

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USMTN USEEC

PASS STR

STR PASS CODEL

E.O. 11652
TAGS: ETRD, MTN
SUBJECT: BILATERAL DISCUSSION WITH NORDICS ON SELECTIVITY

REF: GENEVA 4240

1. U.S. MTN DEL (HARTZELL, ADDUCI) AND MATTHEISEN OF STR
MET BRIEFLY WITH NORDIC DEL (EKBLOM, MANHUSEN, SELMER)
MAY 19 FOR DISCUSSIONS, AT NORDIC REQUEST, ON STATUS OF
SELECTIVITY IN SAFEGUARDS NEGOTIATION. EKBLOM STRESSED
GENERAL NORDIC WARINESS OVER RECENT DEVELOPMENTS ON
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SELECTIVITY ISSUE AND EXPRESSED GENERAL CONCERN THAT
CONCEPT OF SELECTIVITY HAD NOT ACHIEVED THE LEVEL OF
SUPPORT THEY HAD ANTICIPATED.

2. READING FROM PREPARED STATEMENT (COPY PROMISED US
SHORTLY) EKBLOM NOTED INCOMPATIBILITY OF 2-TRACK APPROACH
LAID OUT IN EC PAPER WITH NORDIC POSITION, WHICH REJECTS

ADDITIONAL CONSTRAINTS ON SELECTIVE ROUTE THAT WOULD RELEGATE SELECTIVE MEASURE TO "RARE EXCEPTION" STATUS. HE STATED NORDIC CONCERN THAT VERS AND OMAS WOULD BE EXCLUDED FROM ANY NEW AGREEMENT. BALANCE OF STATEMENT DEVELOPED AT SOME LENGTH FAMILIAR ARGUMENTS ON EQUITIES OF SELECTIVE ACTIONS (E.G., ACTION LIMITED TO IMPORTS ACTUALLY CAUSING INJURY).

3. U.S. EXPRESSED SURPRISE OVER NORDIC COMMENTS ON VER/OMA SINCE COVERAGE OF SUCH ARRANGEMENTS IN SAFEGUARDS CODE WAS FUNDAMENTAL U.S. OBJECTIVE SHARED BY SEVERAL OTHERS. EKBLOM EXPLAINED THAT HIS COMMENTS WERE NOT MISUNDERSTANDING OF U.S. POSITION BUT INTENDED RATHER TO REFLECT CONCERN OVER "POSSIBLE OUTCOME"; HE ADDED THAT NORDICS, TOO, COULD NOT BUY AGREEMENT THAT DIDN'T COVER OMAS AND VERS. WE SUGGESTED THAT FORCEFUL PRESENTATION OF NORDIC VIEWS ON THIS POINT TO EC COULD BE VERY USEFUL.

4. WE POINTED OUT THAT WE UNDERSTOOD 2-TRACK APPROACH AS SIMPLY A PRESENTATIONAL DEVICE TO STRESS THAT SELECTIVE ACTION IS APPROPRIATE ONLY IN UNUSUAL AND EXCEPTIONAL CIRCUMSTANCES AND, IN DISAGREED SITUATIONS, SUBJECT TO ADDITIONAL MORE RIGOROUS CONDITIONS AND PROCEDURES. ON THAT POINT, WE STOOD IN CLEAR DISAGREEMENT WITH CURRENT NORDIC POSITION. WE DESCRIBED AS ENCOURAGING, HOWEVER, NORDIC STATEMENT IN RECENT 7-PLUS-7 MEETING (GENEVA 4240) LIMITED OFFICIAL USE

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THAT SELECTIVE ACTIONS EVEN IF SANCTIONED WOULD LIKELY NOT BE TAKEN FREQUENTLY AND ASKED NORDICS TO CLARIFY JUST HOW THEY WOULD DISTINGUISH BETWEEN IMPORT SOURCES. SAYING HE COULDN'T YET OFFER DETAILS ON PROCEDURES (BUT RECOGNIZING IT WOULD BE PARAMOUNT TO NORDIC CASE), EKBLOM RESPONDED THAT ABILITY TO MAKE SUCH DISTINCTIONS WOULD VARY FROM COUNTRY TO COUNTRY AND MARKET TO MARKET AND OBSERVED FURTHER THAT IT WILL BE EASIER TO MAKE SUCH DISTINCTIONS WITH RESPECT TO SMALL MARKETS LIKE NORDICS WHERE MAGNITUDE OF INJURY IS MORE READILY DISCERNIBLE.

5. EKBLOM REVEALED NORDIC "CASE STUDY" NOW UNDER WAY WHICH EXAMINES PAST SAFEGUARD ACTION TAKEN BY NORWAY, FINLAND AND SWEDEN TO DETERMINE HOW OFTEN SELECTIVE ACTION WOULD HAVE BEEN APPROPRIATE. RESULTS OF STUDY TO BE PRESENTED MAY 30 IN HELSINKI. EKBLOM SAID ALTHOUGH HE WASN'T CERTAIN, IT WAS HIS "HUNCH" THAT CASES WHEREIN INJURIOUS IMPORTS CAN BE DISTINGUISHED WILL NOT BE UNUSUAL AND EXCEPTIONAL, OR DIFFICULT TO ESTABLISH.

6. IN DISCUSSING U.S. OPPOSITION TO IMMEDIATE SELECTIVE ACTION IN "CRITICAL CIRCUMSTANCES," WE PRESSED NORDICS

FOR EXPLANATION WHY FOR PROVISIONAL NEEDS (OR FOR MANY LONGER TERM NEEDS AS WELL) A MFN ACTION BASED ON PREVIOUS REPRESENTATIVE PERIOD COULD NOT ADEQUATELY MEET PROBLEM OF RAPID INCREASES OF IMPORTS FROM ONE OR TWO SOURCES.

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IN RESPONSE, NORDICS ADVANCED THREE REASONS FOR THEIR POSITION: FIRST IS NDRDIC "ACADEMIC" ATTACHMENT TO "SPIRIT OF GATT" PRINCIPLE OF AVOIDING UNNECESSARY DISRUPTION OF TRADE, COUPLED WITH POLITICAL PROBLEM OF TAKING ACTION AGAINST NEW ENTRANTS AND TRADITIONAL SUPPLIERS WHEN SUCH ENTITIES ARE NOT SOURCE OF IMPORT PROBLEM; SECOND, SINCE EFTA PARTNERS ALREADY TYPICALLY EXCLUDED FROM SAFEGUARD ACTIONS TAKEN ON GLOBAL BASIS, U.S. AND CANADA WOULD BE COUNTRIES PRINCIPALLY IMPACTED AND THIS IS SOMETHING NORDICS WISH TO AVOID; THIRD, AS SMALL COUNTRIES HEAVILY DEPENDENT ON TRADE, NORDICS
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WISH TO ESTABLISH SAME TREATMENT FOR THEMSELVES BY OTHERS
AND AVOID BEING HIT BY SAFEGUARD ACTIONS WHEN THEY ARE
NOT SOURCE OF PROBLEM.

7. WE OBSERVED THAT THIS EXPLANATION WAS USEFUL BUT
IMPLIED IT NOT LIKELY TO ALTER U.S. POSITION. NORDICS
RECANED SOMEWHAT ON SECOND POINT (EFTA EXCLUSIONS) WHEN
WE NOTED EFTA AND EFTA-EC SAFEGUARD PROVISIONS AVAILABLE
FOR ACTION AGAINST THOSE PARTNERS WHEN THEY WERE PART
OF PROBLEM, BUT EKBLOM STRESSED THAT FINLAND AT LEAST HAD
"VERY RECENTLY" MADE POLICY DECISION TO KEEP SAFEGUARD
MEASURE COVERAGE TO MINIMUM POSSIBLE AND WOULD BE USING
EFTA-EC PROVISION IN THAT LIGHT. WE COMMENTED THAT DIS-
CRIMINATORY ASPECTS OF EFTA PROCEDURES MAY BE "A SLEEPER
ISSUE" IN NEGOTIATIONS AND SUGGESTED THAT THAT TOPIC BE
ADDRESSED MORE FULLY IN FUTURE.

8. DRAFTED BY ADDUCI MCDONALD

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